

ITEM 6 STATEMENT OF INVESTMENT - SEPTEMBER 2023

This report provides an overview of Council's investment portfolio performance for the reporting period September 2023.

Council had an average weighted return for September 2023 of 0.22% which was below the benchmark return of 0.34%. This result was due to the negative valuations of the consolidated Floating Rate Notes and the negative valuations on NSW TCorp investments. The performance was also impacted by some of the long-term deposits being purchased at comparatively lower rates during the covid period. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity.

RECOMMENDATION

Council receive the Statement of Investment for September 2023.

REPORT AUTHORISATIONS

Report of: Brian Jenkins, Chief Financial Officer

Authorised by: Renee Campbell, Director Corporate Services - Connected + Engaged City

ATTACHMENTS

- 1 Statement of Investment September 2023
- 2 Investment Income Compared to Budget 2023-2024

BACKGROUND

Council is mandated to invest surplus funds in accordance with the Ministerial Investment Order and Office of Local Government guidelines. The Order reflects a conservative approach and restricts the investment types available to Council. In compliance with the Order and Office of Local Government guidelines, Council adopted an Investment Policy on 12 December 2022. The Investment Policy provides a framework for Council to manage investment credit quality, institutional diversification and maturity constraints. Council's investment portfolio was controlled by Council's Finance Division during the period to ensure compliance with the Investment Policy. Council's Audit, Risk and Improvement Committee (ARIC) provides oversight of the review of Council's Investment Policy and the Management Investment Strategy.

Council's Responsible Accounting Officer is required to sign the complying Statement of Investment contained within the report, certifying that all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

Council's investment holdings at 29 September 2023 were \$192,940,521 (Statement of Investment attached) [30 September 2022 \$148,265,942] and include Council's interest in CivicRisk Mutual Ltd recognised at fair value as at 30 June 2023.

Council had an average weighted return for September 2023 of 0.22% which was below the benchmark return of 0.34%. This result was due to the negative valuations of the consolidated Floating Rate Notes and the negative valuations on NSW TCorp investments. The performance was also impacted by some of the long-term deposits being purchased at comparatively lower rates during the covid period. The remainder of Council's portfolio continues to provide a high degree of credit quality and liquidity. The global markets are still experiencing high levels of instability and the heightened volatility in interest rates, driven by the persistent ongoing inflation issues, is providing levels uncertainty in rates of return for the foreseeable future.

At 29 September 2023, year to date interest and investment revenue of \$1,745,087 was recognised compared to the year to date budget of \$1,240,847.

Council's 22 floating rate notes had a net decrease in value of \$135,256 for September 2023.

Council holds two Mortgaged Backed Securities (MBS) that recorded a net increase in value of \$11,178 for September 2023. The market value of this security takes into account the extended term of the security along with the limited liquidity and the coupon margin reflects pre-Global Financial Crisis (GFC) pricing. While the maturity dates are outside Council's control, the investment advisors had previously



indicated capital is not at risk at that stage and recommended a hold strategy due to the illiquid nature of the investment.

Council holds two investments within the NSW TCorp Hour Glass Facility; Long-Term Growth Fund and Medium-Term Growth Fund. The Long-Term Growth recorded a net decrease in value of \$86,196 and the Medium-Term Growth Fund recorded a net decrease in value of \$54,738 in September 2023. The fluctuations in both the Long-Term Growth and Medium-Term Growth Funds are a reflection of the current share market volatility both domestically and internationally and is diversified across a number of different asset classes that have differing risk and return characteristics.

At their October 2023 meeting, the Reserve Bank of Australia (RBA) decided to hold the official cash rate at 4.10%. The RBA remains resolute in its determination to return inflation to target of 2–3% and continues to monitor uncertainties regarding the global economy, adjust policy as determined by the RBA and determine the timing and extent of future interest rate increases.

The current Investment Policy sets a 40% maximum exposure limit to individual institutions within the AAA category. This limit is currently considered to include funds held within the Commonwealth Bank (CBA), savings account which holds Council's operating cash balances. Through the banking services contract with the CBA, that includes a fixed margin over the current cash rate, Council's savings account provides a higher return than alternate short- to medium-term investments available to Council. At the end of September 2023, the exposure to CBA was 26.10%, which is marginally above the 25% target set in the Investment Strategy.

The current investment portfolio complies with Council's Investment Policy which was endorsed by Council on 12 December 2022. Council's Responsible Accounting Officer has signed the Statement of Investment contained within the report, certifying all investments were made in accordance with the Local Government Act 1993 and the Local Government Regulation 2005.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong Our Future 2032 Goal 4 "We are a connected and engaged community". It specifically delivers on the following:

	Community Strategic Plan 2032	Delivery Program 2022-2026			
	Strategy	Service			
4.8	Council's resources are managed effectively to ensure long term financial sustainability.	Financial Services			

CONCLUSION

The investments for September 2023 recorded an average weighted return that was below the AusBondBank Bill Index Benchmark and performed favourably when compared to the year-to-date budget.



Purchase Interest / **Investment Body** Rating Purchase Price \$ Fair Value of Holding \$ Security **Maturity Date** CBA Business Online Saver 43,780,702 2,027,117 BOS A/c A1+ A1+ 29/09/2023 29/09/2023 4.359 General A/o 29/09/2023 29/09/2023 IAB General Fund A/o A1+ 2,077,009 General A/o 29/09/2023 29/09/2023 Westpac Banking Corporation Ltd S&P AA-5,000,000 5,000,000 T/Deposit 20/10/2021 20/10/2023 0.87 Commonwealth Bank of Australia Ltd Bank of Queensland Ltd Vestpac Banking Corporation Ltd S&P AA-Moodys A3 S&P AA-5,000,000 2,000,000 5,000,000 20/10/2023 20/10/2023 27/11/2023 4/12/2023 5,000,000 T/Deposit 20/10/2021 25/11/2021 5,000,000 T/Deposit 2/12/2021 1.219 Bank of Sydney Ltd Westpac Banking Corporation Ltd Unrated ST UR 250,000 250.000 T/Deposit 16/03/2023 11/12/2023 4.759 5,000,000 T/Deposit 23/12/2020 22/12/2023 S&P AA-5,000,000 Moodys ST P-2 Bendigo & Adelaide Bank Ltd 3,000,000 3,000,000 T/Deposit 16/03/2023 16/01/2024 4.509 Australian Unity Bank (BPSS20) Westpac Banking Corporation Ltd 3,000,000 16/03/2023 6/03/2019 S&P ST A2 3,000,000 T/Deposit 16/02/2024 S&P AA-2,000,000 6/03/2024 5.129 T/Deposit Bendigo & Adelaide Bank Ltd Moodys ST P-2 3,000,000 3,000,000 T/Deposit 16/03/2023 15/03/2024 4.509 IMB Ltd Moodys Baa1 3,000,000 3,000,000 T/Deposit 28/03/2023 26/04/2024 4.519 Bank of Queensland Ltd Moodys A3 2,000,000 2,000,000 T/Deposit 23/05/2023 24/06/2024 5.119 Australian Unity Bank (BPSS20) Bank of Queensland Ltd 750,000 3,000,000 750,000 3,000,000 S&P ST A2 T/Deposit 10/07/2023 9/07/2024 5.75% 16/08/2023 16/08/2024 5.059 Moodys A3 T/Deposit 2,000,000 2,000,000 T/Deposit T/Deposit S&P BBB-2.000.000 17/09/2021 17/09/2024 1.209 Bank of Quee nd Ltd Moodys A3 2,000,000 9/06/2023 11/11/2024 5.509 Westpac Banking Corporation Ltd Bank of Queensland Ltd S&P AA-2.000.000 2.000.000 T/Deposit 2/12/2021 2/12/2024 1.639 Moodys A3 2/12/2024 5.259 Coastline Credit Union Ltd 250,000 Moodys Baa3 250,000 T/Deposit 5/06/2023 5/12/2024 5.259 2,200,000 Judo Bank S&P BBB-2,200,000 T/Deposit 7/03/2022 11/03/2025 2.309 S&P AA-5,000,000 7/03/2022 13/03/2025 2.039 T/Deposit Bendigo & Adelaide Bank Ltd Bank of Queensland Ltd Moodys A3 2.000.000 2.000.000 T/Deposit 9/06/2023 9/05/2025 5.459 Moodys A3 2,000,000 30/06/2023 30/06/2025 Westpac Banking Corporation Ltd S&P AA-2,000,000 2,000,000 T/Deposit 30/06/2023 30/06/2025 5.359 Westpac Banking Corporation Ltd S&P AA-3,000,000 3,000,000 T/Deposit 25/11/2022 25/11/2025 4.599

WOLLONGONG CITY COUNCIL STATEMENT OF INVESTMENT

2,000,000

120,334,825

T/Deposit

T/Deposit

30/06/2023

30/06/2023

30/06/2026

30/06/2027

5.199

2,000,000

Bond and Floating Rate Note Securities

Westpac Banking Corporation Ltd

Westpac Banking Corporation Ltd

Total

DIRECT INVESTMENTS							
Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Security	Purchase Date	Maturity Date	Interest / Coupon Rate
Westpac Banking Corporation Ltd	S&P AA-	1,500,000	1,510,590	FRN	16/11/2018	16/11/2023	5.109
ANZ Banking Group Ltd	S&P AA-	2,000,000	2,009,200	FRN	6/12/2018	6/12/2023	5.159
National Australia Bank Ltd	S&P AA-	2,000,000	2,010,240	FRN	19/06/2019	19/06/2024	5.059
Auswide Bank Limited	Moodys Baa2	3,000,000	3,016,350	FRN	22/08/2023	23/08/2024	5.099
Macquarie Bank	S&P A+	2,000,000	2,017,540	FRN	12/02/2020	12/02/2025	5.019
Bendigo & Adelaide Bank Ltd	Moodys A3	1,700,000	1,689,783	FRN	2/12/2020	2/12/2025	4.649
Macquarie Bank	Moodys A2	6,500,000	6,475,885	FRN	11/03/2022	9/12/2025	4.619
Suncorp-Metway Ltd	S&P A+	2,100,000	2,090,256	FRN	24/02/2021	24/02/2026	4.599
Newcastle Greater Mutual Group Ltd	S&P BBB	5,000,000	4,927,300	FRN	4/03/2021	4/03/2026	4.769
ANZ Banking Group Ltd	Moodys Aa3	2,500,000	2,506,425	FRN	31/03/2023	31/03/2026	4.979
Teachers Mutual Bank Ltd	Moodys Baa1	1,100,000	1,081,190	FRN	16/06/2021	16/06/2026	4.809
ANZ Banking Group Ltd	S&P AA-	2,500,000	2,506,050	FRN	11/09/2023	11/09/2026	4.889
Macquarie Bank	S&P A+	4,000,000	4,009,280	FRN	14/09/2023	14/09/2026	4.979
Suncorp-Metway Ltd	S&P A+	3,750,000	3,709,575	FRN	15/09/2021	15/09/2026	4.619
QPCU LTD t/a QBANK	S&P BBB-	2,000,000	2,003,440	FRN	18/09/2023	18/09/2026	5.779
Illawarra Credit Union Ltd	S&P BBB-	2,500,000	2,503,625	FRN	20/09/2023	21/09/2026	5.849
Suncorp-Metway Ltd	S&P A+	1,500,000	1,504,650	FRN	11/03/2022	25/01/2027	5.139
ANZ Banking Group Ltd	Moodys Aa3	3,500,000	3,539,060	FRN	12/05/2022	12/05/2027	5.149
Cooperatieve Rabobank U.A Australia Branch	S&P A+	2,500,000	2,548,200	FRN	19/01/2023	19/01/2028	5.469
ANZ Banking Group Ltd	Moodys Aa3	2,500,000	2,515,925	FRN	31/03/2023	31/03/2028	5.209
ANZ Banking Group Ltd	S&P AA-	2,100,000	2,106,174	FRN	11/09/2023	11/09/2028	5.069
Westpac Banking Corporation Ltd	S&P AA-	3,500,000	3,504,830	FRN	19/09/2023	19/09/2028	5.069
Emerald Reverse Mortgage Trust	S&P A	407,654	328,125	MBS	17/07/2006	21/08/2051	4.599
Emerald Reverse Mortgage Trust	Unrated UR	2,000,000	1,310,460	MBS	17/07/2006	21/08/2056	4.899
Total			61,424,153				

Managed Funds & Other

Investment Body	Rating	Purchase Price \$	Fair Value of Holding \$	Purchase Date	Monthly Return (Actual)	FYTD (Actual)
Tcorp Long Term Growth Facility Fund	N/A		3,758,360	13/06/2007	-2.31%	-0.87%
Tcorp Medium Term Growth Facility Fund	N/A		4,893,184	14/06/2007	-1.26%	-0.02%
Total			8,651,544			

Membership interest in Investment Body	Fair Value of Holding \$			
CivicRisk Mutual Limited	N/A			2,530,000
TOTAL INVESTMENTS				192,940,521

S&P AA-

This is to certify that all of the above investments have been placed in accordance with the Act, the regulations and Council's Investment Policies.

Brian Jenkins

RESPONSIBLE ACCOUNTING OFFICER

^{*} The maturity date provided is the weighted-average life of the security. This is the average amount of time that will elapse from the date of security's issuance until each dollar is repaid based on an actuarial assessment. Assessments are carried out on a regular basis which can potentially extend the life of the investment. Current assessments anticipate an extension of life of the investment.



